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RUCNCIS/CIS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 3548  
RUEHBJ/AMEMBASSY BEIJING 1366  
RUEHKO/AMEMBASSY TOKYO 1233  
RUEHIT/AMCONSUL ISTANBUL 1802  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEHNSC/NSC WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000378

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TAGS: [PGOV](#) [ECON](#) [EFIN](#) [KCRM](#) [TX](#)  
SUBJECT: TURKMENISTAN: WORLD BANK REP DISCUSSES  
ANTI-MONEY LAUNDERING EFFORTS

REF: A. ASHGABAT 0179

[1](#)B. ASHGABAT 0317

Classified By: CDA RICHARD E. HOAGLAND: 1.4 (B), (D).

[1](#)1. (C) SUMMARY: A local representative of the World Bank Liaison Office in Turkmenistan said on March 24 that World Bank Regional Vice President for Europe and Central Asia Shigeo Katsu was satisfied with the substantive meetings held during his second visit to Turkmenistan, although moving ministerial-level interlocutors from Turkmenistan's government off of the topic of interest rates and onto the full range of World Bank services was a challenge. The World Bank-sponsored anti-money laundering and financial intelligence unit workshop was well-received by the government, and the World Bank is optimistic about the possibility that the Parliament will enact an anti-money laundering law when it next meets in October. END SUMMARY.

RESULTS OF RECENT HIGH-LEVEL WORLD BANK DELEGATION VISIT

[1](#)2. (C) On March 24, World Bank Liaison Office in Turkmenistan Operations Officer Serdar Jepbarov said World Bank Regional Vice President for Europe and Central Asia Shigeo Katsu was "happy" with his visit the week of March 17 and with his meeting with four or five ministers at the Central Bank. During this follow-up to the January visit (Ref. A), the World Bank continued to urge the Government of Turkmenistan to convey its assistance needs. The World Bank is surprised -- as is the European Bank for Reconstruction and Development (septel) -- by the focus of Government of Turkmenistan leadership on interest rates. Jepbarov said that Central Bank Chairman Geldimyrat Abilov seems to support the World Bank and lobbied for its "package approach" of loans and technical assistance at a meeting with various ministers. The ministers wanted fixed interest rates, which the World Bank does not offer, but Jepbarov said that the World Bank has instruments available to minimize the effects

of fluctuating interest rates. Jepbarov said that Central Bank middle management, including the head of the Central Bank's Credit Department, is "very knowledgeable" about market-based banking practices.

#### INSIGHT INTO TURKMEN VIEW OF INTEREST RATES

¶3. (C) Jepbarov said that President Berdimuhamedov had experience with loans from international financial institutions in his role as Minister of Healthcare and Medical Industry. The Ministry received loans from the Islamic Development Bank for various projects, most likely with no obvious interest charged since the Islamic Development Bank operates under Sharia law and does not charge interest. In addition, as Jepbarov noted, the Chinese government offers loans at 2.5 percent, and in general, Asian market lending rates are extremely low at one percent, in Japanese yen. These factors may explain why the government is balking at loans with over five percent interest.

#### READOUT ON ANTI-MONEY LAUNDERING WORKSHOP

¶4. (C) Jepbarov said that the World Bank-sponsored anti-money laundering and financial intelligence unit workshop for Turkmen financial and law enforcement officials (Ref. B) was well-received by the government. Central Bank Chairman Abilov sent a thank-you letter in English to the World Bank and the International Monetary Fund. Jepbarov noted that the Central Bank must have made a special effort to compose the letter and to translate it. Jepbarov felt that the workshop structure was well-designed for the Turkmen audience, since it gave them an opportunity to network with their peers from other Russian-speaking countries.

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#### FINANCIAL INTELLIGENCE UNIT WILL INHIBIT CORRUPTION

¶5. (C) Jepbarov said that a financial intelligence unit that the government plans to establish will inhibit companies from engaging in corruption, because money laundering and corruption go hand-in-hand. Unresolved issues regarding setting up a financial intelligence unit in Turkmenistan include:

- Turkmenistan's agreement on reporting requirements of a financial intelligence unit, and deciding whether the Central Bank or one of the law enforcement agencies will control the Unit.

- The Turkmenistan Parliament's enacting the anti-money laundering law. The law is ready, and Mentor in the World Bank's Global Programme against Money Laundering Carrie Votava and Consulting Counsel to the International Monetary Fund's Financial Integrity Group Giuseppe Lombardo met with the Parliament and law enforcement agencies to give their comments on the law and plan next steps after the January anti-money laundering conference. Jepbarov said that it is possible that the parliament will enact the law when it meets next in October. He seemed to think that the Financial Action Task Force (FATF) statement on Turkmenistan that is posted on the FATF website is geared towards pressuring the Turkmen government to establish the financial intelligence unit this year.

¶6. (SBU) COMMENT: Turkmenistan has been reluctant to take on increased debt since uncontrolled borrowing -- much of it fueled by corruption -- in the 1990's led to a (for Turkmenistan, at that time) massive debt level of an estimated \$1.6 billion by 2002. Since that time, Turkmenistan has worked on paying down its debt, and as of 2007 had whittled its debt down to an estimated \$500 million. Most international financial experts believe that Turkmenistan could benefit from taking on increased debt. However, a lack of human capacity in the debt and asset management sector, combined with remnant biases against debt,

will make it difficult to convince Turkmenistan's leaders -- especially if Berdimuhamedov's previous experience with debt is limited to interest-free loans -- that increased debt could benefit their country. In the meantime, Turkmenistan seems to be limiting its borrowing to relatively small, low-interest loans from China and other Asian markets. END COMMENT.  
HOAGLAND